

**HONG KONG
GOVERNMENT
INFORMATION
SERVICES**

**DAILY
INFORMATION
BULLETIN**

(Part I)

Wednesday, June 7, 1972

EMBARGOED NOTE TO EDITORS:

The following news item MUST NOT be published or broadcast until after 2.35 p.m., when the Financial Secretary makes the statement in Legislative Council.

DECISION TAKEN IN PRINCIPLE ON MASS TRANSIT RAILWAY

Financial Secretary Says Scheme To Proceed Subject To Satisfactory Financing & Tender Arrangements

A decision has been taken, in principle, to proceed with the construction of the full Mass Transit Railway subject to satisfactory arrangements being made for financing it and for letting contracts.

This was stated by the Financial Secretary, the Hon. C.P. Haddon-Cave in the Legislative Council this (Wednesday) afternoon in reply to a question by the Senior Unofficial Member, the Hon. Sir Yuet-keung Kan.

Mr. Haddon-Cave told Council that the financing problem - costing over \$6,000 million at mid-1970 prices - was closely linked with two other problems, namely, the form of tendering and the letting of contracts and the most appropriate operational arrangements.

He said: "These issues will have to be looked at separately but, eventually, they need to be brought together in a coherent scheme for the financing, construction and operation of the system."

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To work out the best methods of resolving these three problems, with a view to assembling a "package" on the basis of which a final decision could be taken whether or not to go ahead, a small Steering Group had been established under his chairmanship.

"This Group will go fully into all the possibilities of financing, constructing and operating the mass transit railway, including consultations with financial interests and groups of construction companies and manufacturers of equipment which may come forward with ideas.

"It has already held its first meeting and is under direction to complete its work and to present its findings to Executive Council within six months.

Willingness

"The Steering Group will be greatly assisted by the ready willingness of our bankers - the Hong Kong Bank - to assist us in exploring the various ways and means of raising non-Government finance and a senior official of the Bank has been appointed to serve on the Group."

The Financial Secretary said that concurrently with this work, and subject to the provision of funds by the Finance Committee, the Consulting Engineers would be re-engaged and instructed to push ahead as rapidly as possible with all the necessary detailed route investigations, preparation of designs and the drawing up of contract documents for the first two stages of the railway.

This is the line starting at Choi Hung, linking the resettlement estates of Wong Tai Sin, Lok Fu and Shek Kip Mei with the Nathan Road Corridor and then running under the harbour to the central business district of Hong Kong to terminate at Western Market.

/Additional

Additional surveys and extensive ground investigations would also be undertaken by firms of specialist consultants and contractors as a matter of urgency, as this would be an essential prerequisite to the preparation of detailed designs for the civil engineering works.

It was also intended to accelerate work on certain associated public works, such as the reclamation of the area at Kowloon Bay intended for the mass transit maintenance depots and the construction of relief roads, to ensure they were phased in with the railway construction programme.

Legislation

The Financial Secretary said work would be started on drafting legislation to provide for the compulsory acquisition of property, where this was unavoidable, the alteration of streets and the compensation of those people whose property would be interfered with in the course of construction.

"The preparation of this and other enabling legislation will be supervised by the Steering Group, which will also keep a watching brief on the consultants' activities and the progress of the ground investigations and the various associated works I have just mentioned," Mr. Haddon-Cave said.

He explained that certain essential pre-construction work was being undertaken now so that no time would have been lost should the financial explorations prove successful and a firm decision was taken later on this year to proceed with construction.

Mr. Haddon-Cave said a decision on whether to go ahead definitely with the construction of the railways would be taken before the end of this year in the light of the findings of the Steering Group as to whether firm possibilities exist of raising the requisite finance on reasonable terms.

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"If it is favourable, every effort will be made to start construction early in 1974. If it is not favourable, either because the finance is not available in sufficient quantities and on appropriate terms or because the cost turns out to be inordinately high or both, all work on the project will cease and it will not be proceeded with further".

The Financial Secretary said the Government in taking a firm decision, in principle, to proceed with the mass transit railway was conscious of the size of the task, in physical as well as financial terms, it had set itself.

The complete system would take many years to build, though the first stage would be operational within 3 $\frac{1}{4}$ years from the time construction begins and the second stage 15 months later.

System

On the basis of mid-1970 prices, the system was estimated to cost \$6,000 million, including accumulated interest over the construction period, or just over \$5,000 million after ploughing back the revenue earned after the opening of the early stages.

Mr. Haddon-Cave pointed out, however, that construction costs were rising and could be expected to rise further. He said: "It is bound to be higher and, indeed, according to our calculations, the net capital requirement could be considerably higher than this depending on the assumptions made as regards cost escalation and hence of average costs over the whole construction period."

The Financial Secretary said the Government believed that a substantial sum of public money could be committed to assist in financing the project, that the system could be constructed without undue disruption, and that the system was economically viable.

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He said it was clear that an enormous sum of money would have to be raised. There was a need therefore to find out whether sufficient outside capital finance could be obtained on appropriate terms as regards interest rates and repayment arrangements.

"Clearly, it is incumbent on Government to be very sure of all the financial aspects of the project before committing the community to such tremendous expenditure. In particular, we must not put either our ability to finance our other commitments or our liquidity or our fiscal policies at risk," Mr. Haddon-Cave said.

Warning

The Financial Secretary ended his statement with a note of warning. He said: "If in the end it does not prove possible to build the mass transit railway, I must make it clear that the measures needed to ensure that people can continue to get to and from work and for goods to continue moving will need to be more ~~and~~ more severe as time goes on.

"They will certainly not be popular and will be greatly criticised by some. Yet they will be necessary in the general interest if Hong Kong is to continue to function as a viable community in the years to come."

Mr. Haddon-Cave said it was to avoid having to introduce such severe measures that Government had taken a decision in principle to build the mass transit railway and he assured Council that every effort would be made to resolve the financial problems involved.

The following is the full text of the Financial Secretary's statement:-

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"The short answers to my honourable Friend's questions are: (1) yes, a decision has been taken; and (2) it is that the construction of the full Mass Transit Railway will be proceeded with subject to satisfactory arrangements being made for financing it and for letting contracts. But these are short answers, Sir, to two deceptively simple questions and I think I should explain in some detail - before my honourable Friend asks me to do so - precisely what they mean.

"First of all the Government has decided, after the most careful consideration that, if the demand for movement in Hong Kong in the late seventies and thereafter is to be satisfied, the surface public transport system must be augmented, if at all possible, by an underground mass transit railway. The alternative would seem to be an unacceptable degree of congestion of the road network - unacceptable in both economic and social terms. But, as I stressed in both the Budget Speech and in my speech winding up the budget debate, the addition of a mass transit railway must be coupled with the expansion and improvement of the road network, with a programme designed to increase the carrying capacity, efficiency and comfort of surface public transport facilities and with policies designed to optimise the use of available road space. This is because a mass transit railway cannot, on its own, constitute a solution to our emerging transport problem; and, in particular, it will not mean that our road network can be left free for unlimited use by personalised forms of transport. This will be so even when the road network has been fully developed in accordance with the Long Term Road Study. Present plans provide for expenditure on road reconstruction and development of \$1,800 million spread over the eight years ending 1979/80 and, undoubtedly, this amount

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will have to be increased as the programme is updated. The fact is that the mass transit railway when fully completed will cater for only one third of public passenger journeys that people are expected to make by the mid-1980s (about 2½ million journeys out of a total of 7½ million) although, admittedly, it will carry about half of all passengers in the more densely populated areas where the railway will run. In doing so, efficiently and swiftly, it will enable us to maintain that degree of mobility of people and goods vehicles without which our economic and social life would be endangered.

Good Chance

"Secondly, the Government has decided that there is a good chance that three of the four questions I posed in my winding up speech in the budget debate, and which I said had to be answered before a decision could be taken whether or not to go ahead - the Government has decided that three of these four questions can be answered affirmatively. That is to say, we believe, first, that a substantial sum of public money can be committed to assist in financing the project; secondly, that the railway can be constructed without undue disruption; and thirdly, that the system can be operated in such a way as to generate a sufficient cash flow to service the investment and cover operating costs. So the way is now clear to see whether an affirmative answer can be given to the fourth question, namely, whether sufficient outside capital finance can be obtained on appropriate terms as regards interest rates and repayment arrangements. To some extent the possibility of raising finance will depend on how much finance has to be found. On the basis of mid-1970 prices, we reckon that the minimum net capital requirement will be \$5,000 million.

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But it is bound to be higher and, indeed, according to our calculations, the net capital requirement could be considerably higher than this depending on the assumptions made as regards cost escalation and hence of average costs over the whole construction period (and we can do no more than make certain assumptions until tenders are invited and contracts let). The net capital requirement will be less than total capital expenditure, including interest on the accumulated debt, because revenue from fares on the initial stages, as they are opened, will start to flow in from early 1977 onwards and these will provide some offset from that year on.

Financing Problem

"The financing problem is closely linked with two other problems, namely, (1) the form of tendering and the letting of contracts and (2) the most appropriate operational arrangements. These issues will have to be looked at separately but, eventually, they will need to be brought together in a coherent scheme for the financing, construction and operation of the system.

"To work out the best methods of resolving these three problems with a view to assembling a package on the basis of which a final decision can be taken whether or not to go ahead - that is to say, whether it is possible to go ahead - a small Steering Group has been established under my chairmanship. This Group will go fully into all the possibilities of financing, constructing and operating the Mass Transit Railway, including consultations with financial interests and groups of construction companies and manufacturers of equipment which may come forward with ideas. It has already held its first meeting and is under direction to complete its work and to present its findings to Executive Council within six months. The Steering Group will be greatly assisted by the

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ready willingness of our bankers - the Hong Kong Bank - to assist us in exploring the various ways and means of raising non-Government finance and a senior official of the Bank has been appointed to serve on the Group.

"Concurrently with this work, and subject to the provision of funds by the Finance Committee, the Consulting Engineers are to be re-engaged and will be instructed to push ahead as rapidly as possible with all the necessary detailed route investigations, preparation of designs and the drawing up of contract documents for the first two stages of the railway, that is, a line commencing at Choi Hung, linking the Resettlement Estates of Wong Tai Sin, Lok Fu and Shek Kip Mei with the Nathan Road Corridor and then running under the harbour to the central business district of Hong Kong to terminate at Western Market.

Surveys

"Additional surveys and extensive ground investigations will also be undertaken by firms of specialist consultants and contractors as a matter of urgency, as this will be an essential prerequisite to the preparation of detailed designs for the civil engineering works.

"It is also intended to accelerate work on certain associated public works, such as the reclamation of the area at Kowloon Bay intended for the Mass Transit maintenance depots and the construction of relief roads, to ensure that they are phased in with the Mass Transit construction programme.

"Finally, work will be started on drafting legislation to provide for the compulsory acquisition of property (where this is unavoidable), the alteration of streets and the compensation of those people whose property will be interfered with in the course of construction. The preparation of this and other enabling legislation will be supervised by the Steering Group, which will also keep a watching brief on the consultants' activities and the progress of the ground investigations and the various associated works I have just mentioned.

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"In other words, Sir, certain essential pre-construction work is being undertaken now so that no time will have been lost should the financial explorations prove successful and a firm decision is taken later on this year to proceed with construction.

"As I have said, such an eventual decision on whether to go ahead definitely with the construction of the railway will be taken in the light of the findings of the Steering Group as to whether firm possibilities exist of raising the requisite finance on reasonable terms. This decision will be taken before the end of this year and, if it is favourable, every effort will be made to start construction early in 1974. If it is not favourable, either because the finance is not available in sufficient quantities and on appropriate terms or because the cost turns out to be inordinately high or both, all work on the project will cease and it will not be proceeded with further.

"Sir, while the Government has taken a firm decision, in principle, to proceed with the Mass Transit Railway and has every intention of exploring all possible sources of finance, we are conscious of the size of the task - in physical as well as financial terms - we have set ourselves. The complete system will take many years to build, though the first stage will be operational within 3½ years from the time construction begins and the second stage 15 months later. We are confident that it is a feasible project to construct, that being capital intensive it will not make excessive demands on the labour force in the construction industry and that it is the best system of all the alternatives examined. But at mid-1970 prices it is estimated to cost over \$6,000 million, including accumulated interest over the construction period - or, as I said

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earlier, just over \$5,000 million after ploughing back the revenue earned after the opening of the early stages. Construction costs are, however, rising and can be expected to rise further, so the actual cost will probably be much greater than this. Clearly, an enormous sum of money will have to be raised. And then there is the problem of ensuring that the system is financially viable in the sense that the capital cost and accumulated interest can be repaid from the revenue from fares and other sources over a given period of years.

"Clearly, it is incumbent on Government to be very sure of all the financial aspects of the project before committing the community to such tremendous expenditure. In particular, we must not put either our ability to finance our other commitments or our liquidity or our fiscal policies at risk

Viabile Community

"Sir, if in the end, it does not prove possible to build the Mass Transit Railway, I must make it clear that the measures needed to ensure that people can continue to get to and from work and for goods to continue moving will need to be more and more severe as time goes on. They will certainly not be popular and will be greatly criticised by some. Yet they will be necessary in the general interest if Hong Kong is to continue to function as a viable community in the years to come. It is because the Government would like to avoid having to introduce such severe measures that it has taken a decision in principle to build the Mass Transit Railway and I can assure honourable Members that every effort will be made to resolve the financial problems involved."

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MASS TRANSIT RAILWAY STEERING GROUP

As announced by the Financial Secretary in Legislative Council this afternoon, the Governor has established a small Steering Group to investigate the best methods of financing, tendering for, and operating the Mass Transit Railway. The Group is to submit its findings to Executive Council by November this year.

The membership of the Steering Group comprises:

Financial Secretary (Chairman)

Director of Public Works

Commissioner for Transport

Accountant General

Deputy Economic Secretary

together with a senior member of the Hong Kong & Shanghai Banking Corporation. The Steering Group will co-opt representatives of the Consultants (Freeman Fox & Partners) to attend its discussions.

The terms of reference of the Steering Group are as follows:

- (1) To consider and advise on the best means of financing, letting contracts for and operating a Mass Transit Railway for Hong Kong on the basis of the system proposed by the Consultants.
- (2) To consider, in particular, any proposals submitted by outside bodies for financing and/or constructing and/or operating the system.
- (3) To receive progress reports from the Consultants on the preparation of detailed designs and the drawing up of tender documents for the first two stages of the system, as well as on the further survey work and ground investigations being undertaken.
- (4) To supervise the drawing up of drafting instructions for legislation required for the construction and operation of the Mass Transit Railway.

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HONG KONG MASS TRANSIT FURTHER STUDIES FINAL REPORT

And Abstract From Report -- On Sale Tomorrow

A four-volume set of the Further Studies Final Report on Hong Kong Mass Transit as well as an Abstract from the Report will be on sale tomorrow (Thursday) at the Government Publications Centre, Star Ferry Concourse, on Hong Kong Island.

The full set, in English, consists of Further Studies Final Report, Volume 1; Further Studies Final Report, Volume 2, Appendices; Further Studies, Volume 3A, (Route Plans - Kong Kow Line, Kwun Tong Branch, Tsuen Wan Branch); Further Studies, Volume 3B, (Route Plans - East Kowloon Line, Island Line); and Further Studies, Volume 4, General Drawings.

Volumes 1 and 2 cost \$20 per copy, and Volumes 3A, 3B and 4, \$10 per copy. The bilingual Abstract from the Further Studies Final Report can be obtained at \$2.50.

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MASS TRANSIT RAILWAY

Note to Editors: The Financial Secretary announced in Legislative Council today Government's decision, in principle, to proceed with the construction of the Mass Transit Railway subject to satisfactory arrangements being made for financing it and for letting contracts.

The Hon. J.J. Robson, Director of Public Works, will hold a press conference in the G.I.S. theatre at 3.30 p.m. tomorrow (Thursday) at which he will answer questions on the mass transit system. Also present at the press conference will be Mr. A.H. Wilkins, Government Highway Engineer, Mass Transit; Mr. G.J. Bentley, Government Land Surveyor; Mr. B.K. Yu, Assistant Engineer, Mass Transit; and Mr. C.R. Coulson, Resident Partner, Freeman Fox & Partners (Far East).

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Release Time: 8.00 p.m.

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(Part II)

Wednesday, June 7, 1972

MEASURES TO RECTIFY C.M.B.'S FINANCIAL POSITION

Fare Revision And Royalty Abolition

Five measures, including a revision of fares, were announced in the Legislative Council today to rectify the financial position of the China Motor Bus Company to allow it to continue to operate "an adequate, efficient and viable bus service" on Hong Kong Island.

The measures were announced by the Financial Secretary, the Hon. C.P. Haddon-Cave, when he moved a motion that no royalty shall be paid by the C.M.B. for the yearly period beginning on July 1, 1971 and ending on June 30, 1972.

The measures were:

- * The rate of royalty payable by the company should be set at nil for its financial year 1971/72.
- * Finance Committee is to be asked to approve the payment to the Company, on a once-for-all basis, of \$4.329 million before tax, by way of compensation for losses arising from the regularisation of public light buses.

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- * The Governor in Council has approved a revision of the fare structure involving
 - a flat 20 cent fare for the Company's Lower Level Routes with the elimination of the 10-cent section fare.
 - flat fares of 20 cents or 30 cents on the Company's Hill Climbing Routes and the elimination of section fares.
 - an upward revision of the full fare on three of the Company's suburban routes and the retention of section fares on all these routes, but with upward adjustments.
- * The Company has decided to abolish adult monthly tickets.
- * Concessionary fares for students are to be retained, but in a modified form and partly at public expense.

The Financial Secretary said the revised fare structure is to come into effect on July 1 next.

He described C.M.B.'s current financial position as "no better than that of K.M.B. before the recent fare revision -- and all the indications are that it will continue to deteriorate."

He attributed this to steadily rising operating costs, falling total revenue as the result of the fall in the number of passengers, and increased cost of operation per passenger for the same reason.

Mr. Haddon-Cave said C.M.B.'s exclusive franchise ceased to exist with the regularisation of public light buses in 1969.

In the following year, the Company was particularly hard hit because the number of public light buses operating on the Island increased by eight times.

"Furthermore," the Financial Secretary said, "with the development of housing estates in Chai Wan, Wah Fu and Aberdeen, the Company has had to provide additional suburban services which have, by and large, not been profitable."

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He said three steps had been taken so far to ameliorate the position.

These included the reduction and elimination of the payment of royalty, the abolition of certain concessions to members of the armed forces and Government uniformed personnel travelling on C.M.B. buses, and the recognition that Government had a moral obligation to compensate the two franchised bus companies for any losses they suffered as a result of the breach of their franchises arising from the regularisation of public light buses.

The Financial Secretary described these three measures together as "piecemeal and short term remedies" to the C.M.B.'s financial position.

Long Term Solution

"The only long term solution," he said, "lies in revising the present fares to a realistic level."

Giving the rationale of the fare variations, he said the flat fare of 20 cents on the Lower Level Routes would coincide with an increase from 10 to 20 cents on the lower deck of trams.

"Thus there will be no encouragement to passengers to switch from C.M.B. to the Tramways or vice versa on these routes," he added.

Referring to the Hill Climbing Routes, the Financial Secretary said the introduction of a flat fare of 30 or 20 cents would facilitate the introduction of further one-man-operated buses.

"This," he said, "will reduce operating costs."

As regards Suburban Routes, the fares are to be increased in order to reflect more realistically operating costs on these routes, which are on the whole, not at present profitable.

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Referring to student monthly tickets, the Financial Secretary said that the cost would be increased from \$6 to \$18.

Subject to Finance Committee's approval, he said, it was proposed that the cost per ticket to the parents should be increased from \$6 to \$9, with the remaining \$9 being paid by Government to the Company in the form of a subsidy to the student.

In his statement, the Financial Secretary said the number of passengers carried by C.M.B. in 1970/71 was 180.6 million as against 199.4 million in 1969/70.

This is a reduction of 18.8 million or 9.4 percent.

"In 1971-72 the number of passengers is expected to be about 177.1 million," he said.

With the present fare structure and concessionary fares, C.M.B. anticipated a net loss of \$2.325 million in the year 1972/73, Mr. Haddon-Cave said.

With the charges proposed, he said, the Company would earn a profit of about \$4.8 million after tax, yielding a return of about 14 percent on assets employed.

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FARE INCREASE FOR C.M.B. "INEVITABLE"

If It Is To Remain Viable -- Mr. Szeto Wai

The Hon. Szeto Wai said today that an increase in fares for the China Motor Bus Company (CMB) was "inevitable" if the company was to remain viable which a public transport undertaking must.

He said that CMB, being a labour-intensive transport industry, could not escape the considerable stress resulting from increasing wages and costs, and had now reached its ultimate strain.

He was speaking in the Legislative Council on the motion that no royalty shall be paid by the China Motor Bus Company for the yearly period beginning on July 1, 1971, and ending on June 30, 1972.

Mr. Szeto said that in order to save the Company from its deteriorating financial position and to make public transport operation viable, the Transport Advisory Committee endorsed the proposal of fare revision after careful study.

The Committee's endorsement, he said, was made on the condition that the level of royalty be considered in the light of the accuracy of the Company's profit and loss forecasts when compared with its audited accounts for each year in question.

"In other words, royalty should be retained as a regulator in the event of excessive profits," he said.

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As regards compensation to CMB as a result of the regularisation of public light buses, he said that to base compensation wholly on the loss of passengers that the Company would otherwise have carried had it not been for the regularisation of public light buses, was both "illogical" and "unjustified".

He contended that the public light buses and their predecessors, the illegal mini-buses, before September 1969, were created as a result of inadequate and inefficient public transport services that existed before that date.

Obligations

"Franchise obligations are meant to be observed by Government on the one hand and the Company on the other, and failure on either party must be clearly recognised."

Mr. Szeto said he could not see the validity of a moral obligation on the part of Government.

"The Commissioner for Transport should be empowered and required to exercise closer supervision than there was hitherto on bus companies' organisation, their operation, their bus scheduling, their maintenance services to ensure the safety of their passengers and the public and the training and discipline of their bus crews.

"Above all, Government must make it obligatory for bus companies to produce for the examination and approval by Government their annual programmes of service expansion and replacement of delapidated buses and all other matters relevant to their organisations as provided in their respective Ordinances," he said.

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NO PAYMENT OF ROYALTY BY TRAMWAYS FOR 1972

Resolution Approved By Legislative Council

The Legislative Council this afternoon approved a resolution to abolish the payment of royalty by the Hong Kong Tramways Limited for the calendar year commencing on January 1, 1972.

The rate of royalty prescribed in the Tramway Ordinance is 2 $\frac{3}{8}$ per cent of net profits.

Moving the resolution, the Financial Secretary, Mr. C.P. Haddon-Cave said that after the elimination of royalty, the return on assets employed in 1971 was about 12.7 per cent.

But on the same basis, and with royalty eliminated, the forecast returns for 1972 and 1973 were expected to fall to about 7.1 per cent and 2.7 per cent respectively.

He said the company's current financial position had been deteriorating because of rising operating costs and the loss of passengers due to competition from public light buses.

In 1970, the trams carried 158.5 million passengers, and in 1971 they carried some two million less.

"But present indications are that the numbers are still falling, due not only to competition from buses and public light buses operating along the same routes, but also to the slowing down of the tram service as a result of traffic congestion at peak hours," Mr. Haddon-Cave said.

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"At present levels of fares this falling off in numbers of passengers can only mean steadily declining revenue for the Tramways in the face, as I have said, of steadily increasing costs. As a result profits will continue to fall until, before very long, the operation will begin to run into the red."

The Financial Secretary said it was clear, in these circumstances, that measures must be taken to improve the company's financial position if it was to continue to perform efficiently its proper role in the overall public transport system on Hong Kong Island.

He pointed out that the elimination of royalty and the abolition of statutory concessions to members of the armed forces and Government uniformed personnel travelling on trams would still not be sufficient to prevent a further deterioration of the company's financial position.

The pincers of rising costs and falling revenue could only be prised open by a general fare adjustment, he said.

Various courses were examined by both the Government and the Transport Advisory Committee in the light of their possible consequences for passengers as well as for the company's finances. The only viable course seemed to be the abolition of the present two-class fare structure by introducing a single 20-cent flat fare.

"On top of the increased revenue this would bring in, it would have the additional merit of increasing operational efficiency and flexibility," Mr. Haddon-Cave said. "Furthermore, the social attitudes that led to the establishment of a two-class fare structure on the Tramways as long ago as 1911 are obviously outdated."

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The Financial Secretary said the company also intended to abolish a non-statutory concession providing for all students over the age of twelve to travel for ten cents. However, in line with similar concessions already introduced for students travelling on the buses, it was proposed to continue this concession and for the second half of the fare to be made up from public funds. The Finance Committee would be invited to approve the necessary funds in the near future.

With elimination of the royalty, the Tramways' income will be \$22 million in 1972, \$25.4 million in 1973 and \$25.4 million in 1974. This will enable the company to make a return on its assets employed of somewhat over eleven per cent in 1972, and of about 16½ per cent in 1973 and 12½ per cent in 1974.

"These figures, taken one with another, are I believe modest. They certainly do not indicate any tremendous increase in profitability for the Tramways as a result of the proposed changes, which are appropriate to the situation and no more. I hope that they will be understood and accepted as such by the public at large," Mr. Haddon-Cave said.

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ABOLITION OF SECOND CLASS FARE ON TRAMS

Described As Reasonable And Modest

The Hon. Szeto Wai today described as "reasonable and modest" the proposal to abolish the Tramways Company's second-class fare structure and to introduce a flat fare of 20 cents.

He was speaking in the Legislative Council in support of a motion that no royalty shall be paid by Hong Kong Tramways Limited for the calendar year commencing on January 1, 1972.

Mr. Szeto said the fare proposal should not cause any hardship because for years the lower deck tram fare must have been "one of the cheapest in the world if not the world's cheapest."

He said to remove class distinction was "sensible not only for simplicity of fare structure but also for sociological reasons."

To maintain class distinction, he said, must be considered "anachronistic" in the context of today's social attitude.

Mr. Szeto, referring to royalty paid by the Tramways Company, said it was incompatible in these days of rising operating costs with fares remaining unchanged for more than twenty years.

He described as "anachronistic" statutory concessions to members of the armed forces and Government uniformed personnel.

/Mr. Szeto

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Mr. Szeto said the tramcars carried almost one third of the public transport passengers on the Island.

To eliminate them at this moment required doubling the Island's franchised bus capacities and would inevitably create a problem of providing sufficient kerb space for bus stops, he added.

Mr. Szeto said: "The role played by the tramcars in our existing public transport system must therefore be recognised and to make their operation commercially viable is essential before we have a better alternative such as a rapid mass transit."

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FINAL REPORT OF INDUSTRIAL TRAINING ADVISORY COMMITTEE

Detailed Examination Now Almost Completed

Detailed examination of the Final Report of the Industrial Training Advisory Committee is now almost completed, and it is hoped that firm recommendations for the setting up of a permanent Industrial Training Council can be submitted to the Governor in Council soon.

The Commissioner of Labour, the Hon. Paul Tsui, stated this today in the Legislative Council in reply to Dr. the Hon. S.Y. Chung.

Dr. Chung had asked: "Is Government in a position to state its view on the establishment of a Hong Kong Industrial Training Council as proposed by the Industrial Training Advisory Committee in its final report submitted two years ago, and, if not, when is Government likely to come to a decision on this important matter?"

Mr. Tsui told the Council that Government was at one with the Advisory Committee in that it fully realised the importance of the matter.

He said that "a reorganized industrial training complex along the lines as indicated in the ITAC Final Report should go a long way to solve the many problems which confront us in the field of industrial training, provided that we are careful to ensure we establish the right machinery to achieve the results we all desire."

"Because of this need for care, we have been examining all aspects of the matter in detail," he added.

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RAPID BUSINESS CROWTH AT WATERWORKS OFFICE

Additional Accounting Staff To Be Recruited

Government hopes that some of the posts approved earlier this year for additional accounting staff to help to expand and update the accounting systems used in the Waterworks Office can be filled soon.

Further staff proposals are under consideration by Government and still more are under preparation in the Waterworks Office.

The Director of Public Works, the Hon. J.J. Robson, stated this today in the Legislative Council in reply to the Hon. Wilfred Wong.

Mr. Wong had asked: "Will Government take urgent steps to reinforce the staff of the Waterworks Office so as to enable complaints to be dealt with speedily; and will Government also state how long it is likely to take to dispose of outstanding complaints which have not yet been dealt with?"

Mr. Robson said demands on the accounting side of the Waterworks Office activities had grown rapidly since 1965 when the policy was introduced to encourage individual flats and establishments in a building to have separate meters.

"To deal with this expansion of business, it has been necessary to work extensive overtime, and it is proposed shortly to extend the period between the issue of successive bills from three months to four months."

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However, he pointed out that additional staff was not felt to be the full answer. A proposal to make use of computers on the lines employed by the power companies is under consideration, he said, and when approved, it will take two or three years to implement completely a new accounting system.

Mr. Robson said that complaints to the Waterworks Office were in general about the water bills issued, and had probably risen faster than new accounts.

In the meantime, he said, the existing staff of the Waterworks Office was doing all it could with its restricted facilities to provide as good a service as it could to the public.

"By working overtime, the existing back-log of enquiries is being reduced but until the additional staff and facilities I have referred to are available, I am afraid that the service, which the public should perhaps expect to receive, cannot be provided."

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QUICK OFFER OF GOVERNMENT HOUSING
For Occupants Of Condemned Buildings

The Director of Public Works, the Hon. J.J. Robson, said today that when a building was condemned, the occupants were registered and offered government housing within a few days.

This applied to all who could show that they were either genuine tenants or roof-top or other squatters who were registered in the 1964 Survey, he added.

Mr. Robson was speaking in this afternoon's Legislative Council meeting in reply to a question by the Hon. Wilfred Wong.

Mr. Wong had asked Government to ensure that the domestic tenants of a condemned building were informed, before the condemnation notice was issued or publicised, of their position in regard to alternative accommodation, in particular whether they would be accommodated in government low cost housing or resettlement estates, resite areas or transit camps.

Mr. Robson said that usually accommodation in government housing was ready on or before the date the closure order became effective.

It was only in emergency cases, where sufficient notice could not be given, that temporary accommodation in transit camps was offered until suitable accommodation could be allocated, he said.

"Persons who cannot show they are genuine tenants or registered squatters are offered space in a resite area."

He said that when a building was to be closed, the posting on the premises of the Building Authority's notice of intention was accompanied by registration of the tenants, and whenever possible, allowed an appropriate period of grace for the occupants to remain in the building.

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ROAD REPAIRS AVOIDED DURING PEAK HOURS

Authority Sought To Do Night Work

The Director of Public Works, the Hon. J.J. Robson, said today it was the present arrangement to ensure that minor repairs to heavily used roads were avoided, as far as practicable, during peak hours.

However, he added, it was becoming more and more difficult to implement this arrangement due to the general build-up of traffic in Hong Kong's road network.

He was replying in the Legislative Council to the Hon. Szeto Wai who had asked: "Will Government review the existing arrangements for effecting minor repairs to roads which are heavily used by vehicles (such as Queensway) to ensure that such repairs are, so far as practicable, avoided during peak hours?"

Mr. Robson explained that the volume of traffic on the city streets was now such that the hourly traffic volume remained high throughout daylight hours and, in some locations, only dropped to a low level very late at night.

Under these traffic conditions, he said, decisions had to be taken on which section of the community was to be inconvenienced - the road user if work was carried out during the day, or the resident if night work was resorted to.

"It is also relevant that work at night is more difficult to carry out, more expensive and because it sounds infinitely more noisy than during the day, possibly more objectionable but to a lesser number of people."

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However, from the situation he had described, he said ever increasing night work was inevitable.

Mr. Robson said he had asked for an amendment to the Summary Offences Ordinance to enable him to authorise night work of short duration when he was satisfied that this was necessary because of tidal, traffic or emergency conditions.

"If granted, these powers will, I am afraid, bring with them the responsibility for ensuring that night work is carried out as quietly as possible.

"This will be done, but even so, I am afraid that it will not be possible to so reduce the noise level as to make night work unobjectionable to residents living nearby and on these occasions, I hope it will be remembered that work would not be taking place at night if it was considered feasible to carry it out during the day," he said.

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CROSS-HARBOUR TUNNEL BY-LAWS 1972

Approved In Legislative Council

A motion that the Cross-Harbour Tunnel By-laws 1972 made by the Cross-Harbour Tunnel Company Limited be approved, was carried in today's Legislative Council meeting.

Moving the motion, the Financial Secretary, the Hon. C.P. Haddon-Cave, told the Council that these by-laws generally seek to regulate the manner and behaviour of drivers who will be using the Cross-Harbour Tunnel.

"They also define the powers of tunnel officers in the event of a contravention of the by-laws or of an accident in the tunnel area," he said.

For instance, he said, by-law 8 limits the speed of vehicles in the tunnel to a maximum of 40 m.p.h.; by-law 9 prohibits drivers from changing lanes in the tunnel unless authorised to do so by a traffic signal or a tunnel officer; and by-law 13 requires slow moving vehicles to use the left hand lanes.

"Under by-laws 19-21, certain vehicles such as bicycles, those driven by learner drivers and unroadworthy vehicles are prohibited from using the tunnel, while by-law 16 provides for the towing away or removal of vehicles which are causing an obstruction."

The Financial Secretary also told the Council that by-law 4 confers exemption from the requirements of certain by-laws to certain public service vehicles, such as fire engines, ambulances and police vehicles.

Note to editors: Copies of the Cross-Harbour Tunnel By-laws 1972 are distributed separately in the G.I.S. Press Boxes this evening.

Copies of a speech by Dr. S.Y. Chung in support of the motion are also distributed separately.

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ABOUT 1,450 PLACES FOR ENTRY TO FORM ONE

In Secondary Modern Schools In Coming Academic Year

The Director of Education, the Hon. J. Canning, said today the number of places for entry to Form I in secondary modern schools in the 1972-73 academic year would be about the same as at present - about 1,450.

He estimated that the number of applicants in September this year would be in excess of 8,000.

He was replying in the Legislative Council to Dr. the Hon. S.Y. Chung who had asked for the number of places available and the number of applicants for such places in secondary modern schools each year for the past two years.

Dr. Chung had also asked the Government to give its estimate of the number of places available and the number of applicants for such places in the coming academic year 1972-73.

Mr. Canning said there were now five secondary modern schools with a total of 3,680 places. For the academic year beginning September 1970, there were over 4,700 applicants, and for the 1971-72 academic year, there were over 7,600 applicants, he said.

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STAMP DUTY FOR CONVEYANCES ON SALES OF PROPERTIES
Government To Consider Raising Concessionary Values

Government will consider, without commitment and not just at the present time, raising the concessionary values of properties in respect of stamp duty for conveyances on sales of properties.

This was stated today by the Financial Secretary, the Hon. C.P. Haddon-Cave, in reply to the Hon. Q.W. Lee in the Legislative Council.

Mr. Lee had asked: "As it is now five years since stamp duty for conveyances on sales of properties was amended to give concessions to attract stamp duty of only \$20 for properties of \$20,000 or below and only 1 per cent between \$20,000 and \$40,000 as against the standard rate of 2 per cent ad valorem, and in view of the fact that property values are now worth much more, will the Government consider raising these concessionary values to a more realistic level of say \$50,000 and \$100,000 respectively so as to attain the original object of encouraging home ownership and give some relief from this kind of Stamp Duty for the cheaper kind of flats?"

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PILE DRIVING BETWEEN 11 P.M. AND 6 A.M.

Already An Offence If Noise Annoys Person

The Attorney General, the Hon. D.T.E. Roberts, said today it was already an offence to carry out pile driving between 11 p.m. and 6 a.m. if this caused sufficient noise to disturb or interfere with public tranquility or to annoy any person.

He was speaking in the Legislative Council in reply to a question by the Hon. Sir Yuet-keung had asked: "Will Government take steps, if necessary by legislation, (a) to ensure that pile driving which creates a noise of such intensity as to be a danger to health can be stopped immediately; (b) to ensure that persons responsible for pile driving are required to take such steps as are feasible to silence or reduce the noise from pile drivers; (c) to restrict the hours for pile driving; (d) to provide relief from pile driving noise on public holidays?"

Mr. Roberts said that Government would consider whether any further extension of the present restrictions in the manner suggested by Sir Yuet-keung was desirable.

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PARKING CHARGES TO BE INCREASED

Study Shows Monthly Loss In Government Car Parks

A meticulous re-examination by Government of the costs and revenue of each of the six Government multi-storey car parks has shown an overall monthly loss of \$62.50 per parking space.

The Financial Secretary, the Hon. C.P. Haddon-Cave, said this today in the Legislative Council in a statement on car parking charges.

He said the Governor-in-Council had now made the necessary regulations to implement the Budget proposals he made on March 1 this year to increase charges for the use of Government multi-storey and open air car parks.

The Road Traffic (Parking and Waiting) (Amendment) Regulations 1972 provides for the following new rates of parking charges to come into force from July 1 this year:-

- * Monthly tickets to be increased from \$120 to \$200;
- * Full hourly rate to be increased from 60 cents to \$1 with a minimum charge of \$2 instead of \$1.50;
- * Hourly rate in off peak periods to be increased from 40 cents to 50 cents, with the minimum charge remaining at \$1;
- * Open air car parking charges to be increased from \$1.50 to \$2.50 per half day.

As regards parking meters, the Financial Secretary said the number of spaces available for parking on street was bound to be reduced, and the policy was gradually to extend other charging to all those remaining.

/Meters

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Meters might also be installed to regulate parking in some of the more built up areas in the New Territories, he added.

"In addition, new meters will be installed in areas where the demand for parking is clearly exceptionally high and the existing meters so displaced will be moved to other areas being metered for the first time.

"Over and above this, as from July 1, a start will be made to extend meter charging to midnight and to include Sundays and public holidays."

The following is the full text of the Financial Secretary's statement on car parking charges:-

"Honourable Members will recall that in the Budget Speech on 1st March this year I proposed increased charges for the use of Government multi-storey and open air car parks.

"I also indicated that consideration was being given to extending the numbers of parking meters as well as the hours of operation of meters and to charge different rates in each area according to demand.

"In my speech winding up the budget debate on 29th March I indicated that, in view of the reluctance of honourable Members to accept the case for these new charges, their introduction would be deferred for a month or two to give more time for reflection.

"Sir, in the intervening period the Government has conducted a meticulous re-examination of the costs and revenue of each of the six government multi-storey car parks and this has confirmed that, at present

/rates of

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rates of charging, the revenue collected in each of them is far from sufficient to cover costs. In each case annual costs have been calculated on the basis approved by the Governor in Council in 1966.

"First, annual capital charges to cover land and buildings have been worked out: for land, on the basis of a 13 year lease renewable for a further 12 years and, for buildings, on the basis of historical costs amortised over 25 years.

"Secondly, from these charges are deducted rents from other users of the structures, such as the telephone exchange in Garden Road.

"Finally, to this adjusted figure for capital charges is added annual recurrent charges such as staff costs, maintenance, stores and electricity.

"Total costs on this basis for all six car parks in the year ending 31st March 1972 came to about \$9,150,000, while revenue for the usage of these car parks totalled about \$6,450,000.

"There was thus an overall deficit of about \$2,700,000 in that year. Breaking down these figures into costs and revenue per parking space per month in each of the six car parks produces the following monthly losses per space:

Star Ferry, Garden Road		
& Rumsey St. each	\$ 54)	
City Hall	\$124)	Average for Hong Kong Island \$60.00
Middle Road	\$ 58)	
Yau Ma Ti	\$ 85)	Average for Kowloon \$66.50

"The overall monthly loss per space works out at \$62.50.

/"This means

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"This means that to cover actual costs of these car parks total revenue would need to be increased by about 42% above current levels. The new rates I suggested in my Budget Speech would, on the basis of no change in current usage, increase revenue by rather more than 50%. But, if there were some deterrence, the increase would be somewhat less.

"The Governor in Council has now made the necessary regulations to implement the budget proposals and the Road Traffic (Parking and Waiting) (Amendment) Regulations 1972 provide for the new rates of charging to come into force from 1st July: monthly tickets are to be increased from \$120 to \$200; the full hourly rate is to be increased from 60 cents to \$1 with a minimum charge of \$2 instead of \$1.50; and the hourly rate in off peak periods is to be increased from 40 cents to 50 cents, with the minimum charge remaining at \$1.

"As a consequence of these increased charges, charges for open air car parks are to be increased from \$1.50 to \$2.50 per half day and the Road Traffic (Temporary Car Parks) Regulations have been appropriately amended.

"Now as regards parking meters: as I indicated in the Budget Speech, there are at present 7,000 metered spaces as compared with 18,000 free on-street parking spaces.

"With the continuing increase in the volume of traffic, the number of spaces available for parking on street is bound to be reduced and the policy is gradually to extend meter charging to all those remaining; and meters may also be installed to regulate parking in some of the more built up areas in the New Territories.

/"In addition,

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"In addition, new meters will be installed in areas where the demand for parking is clearly exceptionally high and the existing meters so displaced will be moved to other areas being metered for the first time. All this will take some months to achieve but, eventually, there will be a hierarchy of charges for metered spaces depending on demand.

"Over and above this, as from 1st July a start will be made to extend meter charging to midnight and to include Sundays and public holidays. The reason for this is that the demand for parking in many areas is very often just as high, or even higher, during these periods as during daylight hours on weekdays.

"The Road Traffic (Parking and Waiting) (Amendment) Regulations 1972, to which I have just referred give effect to these new charges and extended hours of operation.

"Sir, the role which parking charges should ultimately play in a policy seeking to optimise the use of road space seems to me to be inevitable for, despite our vast road reconstruction and development programme, road space will always be a scarce resource; and it is surely significant that parking charges are used as a weapon in the armoury of traffic control in most, if not all, large cities with traffic problems.

"Meanwhile, as the present charges in Hong Kong do not even recover historical costs and recurrent expenses, I am sure there will be agreement that the general taxpayer should not be required to continue to subsidise car owners in this way."

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BILL GIVEN THIRD READING

The Criminal Procedure (Amendment) (No. 2) Bill 1972 passed its committee stage and third reading in the Legislative Council this afternoon and became law.

Six bills had their first and second readings. They were the Evidence (Amendment) Bill 1972, the Interpretation and General Clauses (Amendment) Bill 1972, the Judicial Proceedings (Adjournment During Gale Warnings) (Amendment) Bill 1972, the Pensions (Amendment) Bill 1972, the Inland Revenue (Amendment) (No. 2) Bill 1972, and the Tramway (Amendment) (No. 2) Bill 1972.

Debate resumed on the Matrimonial Proceedings and Property Bill 1972.

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LEGCO PROCEEDINGS RECORDED

Note to editors: Proceedings in today's Legislative Council have been recorded. You are welcome to consult the tape in the G.I.S. press room.

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MEDICAL AND HEALTH DEPARTMENT AND PUBLIC

Dr. Choa Replies To Critics In Lions Club Address

Dr. the Hon. G.H. Choa, Director of Medical and Health Services, repeated today that disciplinary action would be taken against all government hospital staff at any level found guilty of rudeness or corruption.

"I will make further efforts to stamp out all these offences which have given us such a bad name," he told a luncheon meeting of the Lions Clubs. "Boxes will be re-introduced in every government hospital and clinic, and people can lodge their suggestions and complaints in them. They can, of course, continue to write to me directly, as I personally see all such letters."

But he warned that anonymous letters would be ignored, since it was "only fair that people who write should identify themselves by giving us their genuine names and addresses."

In a wide-ranging speech covering a number of points brought up in recent criticisms of the Department, Dr. Choa said the Department had taken several measures to assure patients on entering government hospitals that no payment was to be made for any service such as the use of bedpans, the filling of thermos flasks, and so on.

There were notices in every ward and clinic informing the public not to tip the staff. It was known that the practice continued to prevail, and he reminded the public that offering a gratuity in itself encouraged this type of abuse.

/On hospital

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On hospital charges, he said people had to pay only \$1 to attend a government clinic, and \$2 a day in a general ward in hospital. These charges covered everything -- medicine, laboratory tests, x-ray examinations, and any form of treatment, for example, surgery, radiotherapy and physiotherapy, and -- in the case of in-patients -- their diet.

"Attendance at maternal and child health clinics and chest clinics is free, while hospital treatment for infectious diseases, including tuberculosis and leprosy, and most psychiatric cases, is also free. If the patient cannot afford even \$1 or \$2, these charges are either reduced, or waived," he emphasised.

The only payment left for the patient to make were charges for medicine bottles, or certain kinds of surgical appliances, such as corsets and crutches, which the Department either made or bought for them.

In the circumstances, it was not true that unless amahs and ward orderlies were paid extra, the implication was that patients did not get any service. Complaints on this head, accompanied by details such as the name of the offender, the date and time, would produce action -- and patients who felt themselves victimised while they remained in hospital, should not regard the matter closed once they were discharged.

Dr. Choa also made these points:-

* Parity of salary for staff of government-assisted hospitals was now being considered -- but it was not the case that those who worked in government-assisted hospitals should receive less than their counterparts in government hospitals, but rather that they should not receive better terms. Critics should realise that if there were differences in leave allowances, contributions to pension schemes and

/charges

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charges for quarters, then these conditions should be brought into line with those of the Government before parity could be attained.

- * Salary differentials between grades must be understood as a principle by which staff were graded differently according to their entry qualifications, periods of training and occupation, and so on. Many demands for improved salaries based on comparisons with other grades failed to take these differences into proper account. The Department was always safeguarding the interests of its staff, and never failed to recommend improvements to conditions of service when they were justified.
- * The number of vacancies for doctors in the Department included posts for future expansion and leave reserve, and did not mean that so many posts in the existing services were unfilled.
- * It was inevitable that a number of doctors, sooner or later, left the Government for private practice. Only those who went on full-pay study leave should be bound to serve the Government for three years after their return. All graduates wishing to spend any length of time with the Department to gain further experience would be welcomed, since this would better prepare them for private practice.
- * Registration in Hong Kong of doctors trained abroad was determined by the principle of reciprocity fixed, not by the Medical and Health Department, but by the Medical Council, an independent body. It had nothing to do either with politics or nationality, but was related to many valid reasons, the most valid being the difference in standards of practice and conceptions of medical ethics in different countries.

/On the

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On the last point Dr. Choa said the Medical Council in Hong Kong followed closely the practice of the General Medical Council in the United Kingdom.

He understood that before Britain joined the European Economic Community, the GMC might have to take another look at the reciprocity list, and "we could also take the opportunity to re-consider ours."

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Note to Editors: Copies of the full text of Dr. Choa's address, in Chinese and English, are distributed separately in the Press boxes, Government Information Services, later this evening.

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WATER INTERRUPTION IN KOWLOON CITY

Water supply to a number of premises in the Kowloon City area will be turned off for five hours between 1 a.m. and 6 a.m. on Friday, June 9.

During this period, the Waterworks Office will carry out a leakage test.

Premises which will be affected by the interruption are in the area bounded by La Salle Road, Hereford Road, York Road, Kowloon Canton Railway, Cornwall Street, Waterloo Road and Junction Road.

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SUPPLY OF POULTRY FEEDING FOR LOCAL FARMERS

Now Available At Retail Sale

A stabilized animal and poultry feeding, commonly known as the meat-and-bone meal, is now available at retail sale from the Urban Services Department.

Local farmers may henceforth have an ample supply from the Kennedy Town Abattoir as the By-Products Plant of this Abattoir has stepped up the rate of production, an Urban Services Department spokesman said today.

The meat-and-bone meal, containing high percentage of proteins, fats and minerals, is generally well-known to local poultry breeders.

When the production was small in the past, the spokesman said, the supply was only obtainable through the Agriculture and Fisheries Department on a quota system.

"For the benefits of local poultry breeders, the supply is now released for the first time on an unlimited retail basis ex store from the By-Products Plant in Kennedy Town Abattoir or from the Livestock Breeding Centre of Agriculture and Fisheries Department in Castle Peak."

The meal, packed in gunny bag, has a typical composition of 64 per cent of proteins, 11 per cent of fat and 6 per cent of phosphate and is sold at the retailed selling price of \$45 per picul (133 lbs. net).

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Release time: 8.30 p.m.